



The President's Daily Brief

13 May 1969

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I. MAJOR PROBLEMS

VIETNAM

Communist harassing activity fell off sharply during the night. Five rocket rounds hit in the outskirts of Saigon, but caused no casualties and little damage. An increased number of terrorist attacks have been aimed primarily at police and government personnel and at public utilities.

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With the opening of the "May action phase" of their 1969 military campaign, the Communists have put into play the military part of their plan to prod the US into a negotiated settlement on Hanoi's terms. This round probably will be limited in scope and duration. The enemy will try to inflict heavy casualties on US units, hoping thereby to increase the level of domestic pressure in the US for an early end to the war. Judging by the first round of attacks, ARVN may also be hit hard this time.

Documents and prisoners say that the Communists intend to follow the May phase with a larger summer offensive, probably to begin in June or July. Hanoi may believe that by staging a continuing series of such offensives it can force the US to abandon any plan for "Vietnamizing" the war.

The Communists would like to convince the US that the only way out of the war is through a settlement which will give them a guaranteed and secure status in South Vietnam.

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They apparently believe that through a combination of diplomatic moves in Paris and military actions on the battlefield, the US can be brought to grant such guarantees. From what we have seen both on the battlefield and from intelligence assets, the enemy high command still believes it can keep enough forces in the field to accomplish its objectives. Thus far in May we have detected only two new infiltration groups entering the pipeline in North Vietnam. This suggests the enemy did not see a requirement for another transfusion of manpower before beginning the May action phase. We would expect to see an increase in the replacement flow very soon, however, if any larger summer campaign is contemplated.

The enemy threat is increasing again in northern I Corps. Intercepts indicate that the North Vietnamese 304th Division is moving south and east once again in the Laos panhandle, and that the two independent regiments may also be on their way south. These regiments were pulled back into North Vietnam from northern I Corps last fall.

MIDDLE EAST

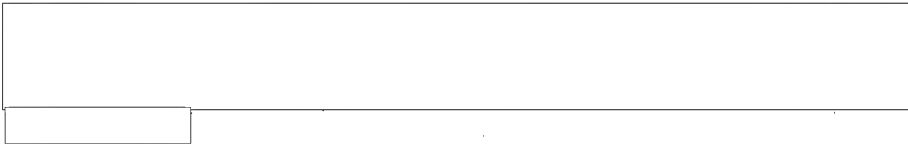


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In Lebanon, President Hilu's three-day meeting with Fatah leader Yasir Arafat has ended in a stalemate. Arafat threatened to turn out the Palestinian refugees living in Lebanon for large-scale demonstrations against the government. He demanded full freedom for fedayeen operations in Lebanon, including the right to maintain base camps without any control by the Lebanese military. Hilu had already refused a compromise solution which would have allowed the fedayeen to operate in clearly defined areas of southern Lebanon under agreed measures of Lebanese Army control.

Although he is still inclined to stand firm, Hilu's resolve may have been weakened by his doubt that General Bustani, the army commander, will give him the complete support he needs to act against the fedayeen. In addition, Hilu apparently can no longer hope for the support of Muslim Prime Minister Karami, who tends to temporize on the fedayeen issue.

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King Husayn's private secretary has told our embassy in Amman that Husayn got nowhere during his recent visit to Cairo, in moving Egypt to restore diplomatic relations with the US. Husayn had difficulty getting Nasir even to talk about the subject. When Nasir finally did, it was merely

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to say that his government had decided that a restoration of relations was not worthwhile at this time.

EUROPE

Some speculators have begun to run for cover, withdrawing funds hastily placed in Deutsche marks during last week's hectic trading. About \$565 million worth were withdrawn from the German central bank yesterday. Nevertheless, the foreign exchange markets are still highly uncertain.

SOVIET AFFAIRS

There is nothing significant to report.

II. OTHER IMPORTANT DEVELOPMENTS

COMMUNIST CHINA - SOVIET UNION

Peking has accepted Moscow's proposal to discuss navigation rights on the border rivers, the Amur and Ussuri, in Khabarovsk next month. Behind China's acceptance probably is the hope that these talks can be used to revive Chinese claims to the disputed islands in the Ussuri.

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CHILE

The government has proposed major revisions in the "Chileanization" agreements it signed with US copper companies in 1967.

The proposal involves a complex formula under which the government could lay a claim to "surplus profits" being earned under prevailing high market prices. One US company estimates that under the new arrangement its income would be less than half of what it now receives. If the companies do not agree to these changes, the Frei administration threatens to take unilateral action through the congress.

Frei may hope that by getting more money from the companies he will be able to head off increasing pressure for complete nationalization, an issue which appears more and more tempting to the Chilean left as the presidential campaign of 1970 approaches.

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